CITI PHARMA LIMITED

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RATING DETAILS		
RATINGS CATEGORY	**Latest Rating**	**Initial Rating**
	Short-term	**Short-term**
STS-3 RATING	A1	A1(plim)
RATING ACTION	Final	Preliminary
RATING DATE	January 21, 2026	December 29, 2025

Shareholding (10% or More)	Other Information
Mr. Rizwan Ahmad – 20.0%	Incorporated in 2012
Mr. Nadeem Amjad – 12.19%	Public Limited Company (listed)
General Public – 35.57%	Chief Executive: Mr. Rizwan Ahmad
	External Auditor: Aslam Malik & Co. Chartered Accountants

Applicable Rating Methodology
VIS Entity Rating Criteria Methodology – Corporates Ratings https://docs.vis.com.pk/docs/CorporateMethodology.pdf Instrument Rating - https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf

Rating Scale
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Rating Rationale

The rating is supported by Citi Pharma Limited's (CPHL) strong positioning in the API segment of the pharmaceutical sector, which carries relatively low business risk due to stable demand and limited sensitivity to economic cycles. Sustained demand for locally manufactured APIs underscores the strategic importance of domestic production, further reinforced by supportive government policies aimed at import substitution. High entry barriers—arising from stringent regulatory requirements, compliance standards, and significant capital intensity—limit competitive pressures and contribute to industry stability. The rating also reflects steady revenue growth and improving margin profile, driven by the Company's gradual diversification into higher-margin formulation products through proprietary brands and institutional sales, alongside expansion in nutraceutical exports. Strategic collaborations with international partners, including Murli Krishna Pharma (India) and Hangzhou Newsea Technology Co. Ltd (China), are expected to enhance operational efficiency through technology transfer and automation, while also supporting medium-term international expansion.

While client and product concentration remain key considerations, management initiatives aimed at broadening the customer base and diversifying the product portfolio are expected to mitigate these risks over time. CPHL maintains a sound liquidity and profitability profile, supported by prudent financial management and adequate short-term credit lines. The assigned rating further incorporates the intended use of STS-3 proceeds toward working capital support and retirement of the previously issued short-term sukuk, with continued maintenance of a comfortable liquidity profile remaining a key rating consideration.

Company Profile

Citi Pharma Limited ('CPHL' or the 'Company' or the 'Issuer') was incorporated as a private limited company on October 8, 2012. In 2013, it acquired the business operations of Askari Pharmaceuticals (Private) Limited (APPL) from the Army Welfare Trust (AWT). Following the acquisition, APPL's operations were transferred to CPHL, which continued its principal business of producing and distributing Active Pharmaceutical Ingredients (APIs) and formulation drugs. The Company was converted into a public unlisted entity on October 13, 2020, and subsequently listed on the Pakistan Stock Exchange on July 9, 2021.

Today, Citi Pharma Limited is a prominent player in Pakistan's pharmaceutical industry. The sponsors of the Company hold a 52.11% stake and are represented by brothers, Mr. Nadeem Amjad, serving as Chairman, and Mr. Rizwan Ahmad, serving as Chief Executive Officer. The sponsors' entrepreneurial ventures extend to telecommunications, real estate, hospitality, and pharmaceuticals.

CPHL's head office is located in Johar Town, Lahore, while its manufacturing facility is situated in Kasur. The facility spans 46.2 acres of freehold land, with a covered area of 527,384 square feet, providing a significant competitive advantage given the space-intensive nature of API manufacturing. Designed to international standards and compliant with cGMP requirements, the plant comprises segregated formulation units and dedicated API production units for Paracetamol, Penicillin/Amoxicillin, Cephalosporins, and Ciprofloxacin, ensuring strict control against cross-contamination. The facility is supported by a fully functional Quality Control Laboratory, while a Bioequivalence & Research Center is currently under construction to meet evolving regulatory requirements and enhance product credibility.

CPHL generates revenue through two core segments: APIs and formulations. In the API segment, the Company is among Pakistan's largest manufacturers, producing key APIs including Paracetamol, Penicillin/Amoxicillin, Cefixime/Cephalosporins, Ciprofloxacin, and Ibuprofen, which are further used in-house for formulation manufacturing. The formulation segment offers relatively higher margins and is expected to witness steady volume growth as the Company strengthens its institutional sales footprint. Increased provincial healthcare spending, particularly in Punjab and Khyber Pakhtunkhwa, is expected to further support demand. The Company also maintains a nutraceutical portfolio, exporting to markets such as Dubai, Uzbekistan, and the USA, alongside contract manufacturing for local clients.

Recently, the Company has launched veterinary formulations to address growing demand in livestock health and productivity, and also targeting to enhance export readiness through regulatory alignment and engagement with international distributors and joint venture partners.

Management and Governance

Citi Pharma Limited maintains an independent and well-structured Board, with clear segregation between the roles of Chairman and CEO, supporting effective oversight. Both the Audit Committee and the Human Resource & Remuneration Committee are chaired by independent directors, reinforcing governance independence.

The seven-member Board comprises two independent, two executive, and three non-executive directors, including two female members. During FY2024-25, the Board and Audit Committee each met four times, with satisfactory attendance, reflecting active engagement. However, the auditor has highlighted non-compliance with the mandatory Directors' Training Program. While no weaknesses in financial reporting were identified, timely regularization would further strengthen Board effectiveness and regulatory compliance. Management has also indicated plans to establish a standalone Sustainability Committee, in line with recently introduced regulatory requirements.

The financial statements are audited by Aslam Malik & Co., who are QCR-compliant but not included on the SBP list of approved auditors.

STRUCTURE OF SHORT-TERM SUKUK (STS) – 3

- The short-term instrument is structured on the basis of Musharakah (Shirkat-ul-Aqd).
- The Sukuk, amounting to PKR 2 billion has been privately placed, and unsecured. It has been issued to meet the Company's working capital requirements and to retire the previously issued Sukuk.
- The Sukuk has a tenor of six (06) months, carrying a profit rate of 3-month KIBOR plus 65bps. Profit and principal will be repaid in a single bullet payment at maturity, six (06) months from the issue date.
- HBL is the Investment/Musharakah Agent for the transaction.

INDUSTRY UPDATE

The API segment remains a structurally constrained yet essential component of Pakistan's pharmaceutical sector. As of FY24, the pharmaceutical market was valued at approximately USD 3.2 billion, contributing around 1.0% to the national GDP. The industry comprises over 650 pharmaceutical companies, with local firms accounting for 74% of the market and multinationals holding the remaining 26%. However, domestic API manufacturing continues to represent a small fraction of national demand.

Pakistan currently relies on imports for approximately 85–90% of its API requirements, sourced predominantly from China and India. In FY24 and FY25, this dependence continued to expose the sector to foreign exchange pressures and supply chain disruptions.

As of early-FY25, there were 23 licensed API manufacturers in the country, though only seven are operational. These facilities collectively meet an estimated 15% of domestic demand, producing mainly intermediate APIs such as paracetamol, ibuprofen, amoxicillin, azithromycin, cefixime, ciprofloxacin, moxifloxacin, and cefadroxil. The focus remains on semi-basic manufacturing, while capabilities for basic manufacturing remain limited. The Drug Regulatory Authority of Pakistan (DRAP) has granted approvals for 39 APIs and issued semi-basic licenses for 117 molecules, though actual production remains constrained by capacity, infrastructure, and scale.

The working capital-intensive nature of API manufacturing, coupled with low margins, requires economies of scale for commercial viability. Regulatory inefficiencies, including prolonged approval timelines and limited availability of quality testing and bioequivalence laboratories, continue to hinder industry development. Furthermore, switching costs for formulation companies—once supply relationships with API producers are established—remain high, reducing opportunities for new entrants.

API prices in Pakistan are not directly regulated by DRAP and follow international market dynamics. However, the formulation segment operates under a semi-regulated pricing structure, creating indirect constraints on cost pass-through for integrated manufacturers.

During FY25, Pakistan's pharmaceutical exports reached USD 457 million, up from USD 341 million in FY24. However, APIs contributed minimally to this figure, with exports primarily comprising finished formulations to markets such as Afghanistan, the Philippines, Uzbekistan, Sri Lanka, Cambodia, and Iraq. The global API market, estimated at USD 238 billion in 2023, is projected to exceed USD 309 billion by 2028. Additionally, the expiry of several high-value API patents by 2025, valued at approximately USD 380 billion globally, presents potential opportunities for local producers—contingent on regulatory readiness and quality compliance.

DRAP's 2022 API Policy offers incentives such as reduced import duties on machinery and intermediates, export retention benefits, and support for infrastructure development, including API parks. However, implementation progress has been limited. In June 2025, the Ministry of Health directed DRAP to prepare a concept note for a naphtha cracker facility, indicating intent to support backward integration of key raw materials. Industry stakeholders have also requested revisions to tax structures and accelerated policy execution.

In the near term, domestic API production is expected to remain below 20% of total demand. Improvement in sector performance will depend on regulatory reform, infrastructure development, private sector investment, and the operationalization of policy measures aimed at import substitution and export enhancement.

PROFITABILITY

During the year under review, the Company reported sales revenue of Rs.13.15b, reflecting a 6% year-on-year increase. Profitability strengthened, with the gross margin improving to 15.0% from 12.4% in the previous year, driven by improved operating efficiency as well as larger share of higher margin formulation sales. Consequently, net profit increased to Rs. 892m (FY24: Rs. 833m). For the first quarter FY26, sales revenue of Rs 3.2b recorded a 4.5% increase over same period last year. Margin performance also improved, with gross margin rising to 15.6% continued efficiency gains.

Financial Risk

CAPITAL STRUCTURE

Capitalization metrics reflect a conservative financial management approach, with gearing and leverage ratios recorded at 0.49x (FY24: 0.26x) and 1.20x (FY24: 1.07x), respectively, at the end of Q1FY26. The increase in leveraging over time has been due to increase in working capital financing on account of growth. The debt profile is primarily composed of short-term borrowings, while long-term capital expenditure has largely been financed through equity and internal cash flows. However, consistently high dividend payouts have limited equity growth over the years. Equity as of Sept 30, 2025 stood at Rs. 5,482M (FY25: Rs5,367m).

DEBT COVERAGE & LIQUIDITY

Citi Pharma Limited has maintained a healthy liquidity profile over the years, reporting a current ratio of 1.36x (FY25: 1.30x) at the end of Q1FY26. Liquidity is supported by ~Rs. 900m portfolio of cash and short-term investments, which however, on a timeline basis depict a declining trend on account of increase in working capital cycle arising from a buildup in stock and extension in collection period. Debt-servicing capacity has remained sound, with the Debt-Servicing-Coverage-Ratio (DSCR) standing at 3.89x in FY25. The FFO to total debt ratio however stood at 33% in FY25 from 71% in FY24 on account of higher debt.

Financial Summary				(PKR million)
Balance Sheet (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Property, plant and equipment	3,051.89	3,399.65	8,687.90	8,679.17
Right-of-use Assets	0.00	0.00	0.00	0.00
Intangible Assets	70.39	152.60	0.00	0.00
Long-term Investments	23.65	20.22	0.00	0.00
Stock-in-trade	2,608.99	3,203.37	3,929.70	3,795.24
Trade debts	1,882.15	2,160.06	3,078.22	3,401.44
Short-term Investments	1,514.90	1,306.29	956.39	892.35
Cash & Bank Balances	54.61	87.90	603.55	23.15
Other Assets	777.60	1,072.34	1,183.69	1,075.62
Total Assets	9,984.18	11,402.43	18,439.45	17,866.97
Creditors	1,938.47	3,183.63	3,183.63	3,618.14
Long-term Debt (incl. current portion)	77.50	18.87	80.66	73.81
Short-Term Borrowings	1,470.57	1,393.10	2,863.21	2,726.65
Total Debt	1,548.07	1,411.97	2,943.87	2,800.46
Other Liabilities	827.07	1,130.29	1,444.37	377.09
Total Liabilities	4,313.61	5,725.89	7,571.87	6,795.69
Paid up Capital	2,284.61	2,284.61	2,284.61	2,284.61
Revenue Reserve	1,387.63	1,647.69	1,806.82	2,010.51
Other Equity (excl. Revaluation Surplus)	1,689.01	1,434.95	1,391.53	1,391.53
Sponsor Loan	297.48	43.42	0.00	0.00
Equity (excl. Revaluation Surplus)	5,361.25	5,367.25	5,482.96	5,686.65
Income Statement (PKR Millions)	FY23A	FY24A	FY25A	3MFY26M
Net Sales	12,396.98	12,409.24	13,153.52	3,370.25
Gross Profit	1,507.11	1,586.20	2,017.61	518.98
Operating Profit	1,343.49	1,581.12	1,684.18	423.48
Finance Costs	386.23	299.91	329.67	121.19
Profit Before Tax	957.26	1,281.21	1,354.51	302.29
Profit After Tax	657.99	833.47	892.04	203.70
Ratio Analysis	FY23A	FY24A	FY25A	3MFY26M
Gross Margin (%)	12.16%	12.78%	15.34%	15.40%
Operating Margin (%)	10.84%	12.74%	12.80%	12.57%
Net Margin (%)	5.31%	6.72%	6.78%	6.04%
Funds from Operation (FFO) (PKR Millions)	757.44	1,002.51	985.92	142.49
FFO to Total Debt* (%)	48.93%	71.00%	33.49%	20.35%
FFO to Long Term Debt* (%)	977.34%	5312.72%	1222.32%	772.20%
Gearing (x)	0.29	0.26	0.54	0.49
Leverage (x)	0.80	1.07	1.38	1.20
Debt Servicing Coverage Ratio* (x)	2.41	4.05	3.89	1.61
Current Ratio (x)	1.58	1.37	1.30	1.36
(Stock in trade + trade debts) / STD (x)	3.05	3.85	2.45	2.64
Return on Average Assets* (%)	7.27%	7.79%	5.98%	4.49%
Return on Average Equity* (%)	13.46%	15.54%	16.44%	14.59%
Cash Conversion Cycle (days)	60.82	71.09	85.23	102.49
**Annualized, if required*				
A - Actual Accounts				
M - Management Accounts				

REGULATORY DISCLOSURES — Appendix I

Name of Rated Entity	Citi Pharma Limited
Sector	Pharmaceutical
Type of Relationship	Solicited
Purpose of Rating	Entity Ratings

Rating History

Rating Date	Medium to Long Term	Short Term	Rating Outlook	Rating Action
RATING TYPE: ENTITY				
29-Dec-2025	A	A1	Stable	Reaffirmed
16-Dec-2024	A	A1	Stable	Initial
Rating Type: STS 2				
22-Aug-2025		A1		Final
21-July-2025		A1(plim)		Preliminary
Rating Type: STS 3				
21-Jan-2026		A1		Final
29-Dec-2025		A1(plim)		Preliminary

Instrument Structure

Instrument Name	**Short Term Sukuk –2**
Nature of Instrument	STS
Tenure of Instrument	6 months
Size of the Issue	PKR 1.5 billion
Principle Redemption Schedule	Bullet
Interest Redemption Schedule	Quarterly
Issue Date	July 21, 2025
Grace Period	N/A
Redemption Date	January 21, 2026
Nature of Security	Unsecured
Rating	A1
Name of Trustee	Pak Brunei Investment Company Limited

Instrument Name	**Short Term Sukuk – 3**
Nature of Instrument	STS
Tenure of Instrument	6 months
Size of the Issue	PKR 2.0 billion
Principle Redemption Schedule	Bullet
Interest Redemption Schedule	Bullet
Issue Date	December 29, 2025
Grace Period	N/A
Redemption Date	June 29, 2026
Nature of Security	Unsecured
Rating	A1
Name of Trustee	Habib Bank Limited

Statement by the Rating Team	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.

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